IMPENDLE LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2020

General Information

Contact Numbers	033 9966 000
Website	www.impendle.gov.za
Demarcation Code	KZN224
Municipal Council	
Mayor	Cllr. Ndlela SG (Speaker)
Councillors	Cllr. Dlamini DS
	Cllr. Dlamini K
	Cllr. Memela T
	Cllr. Mtolo P(MPAC Chairperson)
	Cllr. Mvelase NG
	Cllr. Ngubane S
Grading of local authority	Grade 1 Category B
Chief Finance Officer (CFO)	Mr NS Mkhize
Accounting officer	Mr. ZC Tshabalala
Registered office	21 Mafahleni Street Impendle 3227
Business address	21 Mafahleni Street Impendle 3227
Postal address	Private Bag X512 Impendle 3227
Bankers	Amalgamated Banks of South Africa (ABSA) Chatterton Branch, Pietermaritzburg
Auditors	Auditor General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart Of Accounts

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Legislation

The following legislations were taken into account during the preparation of the Financial Statements: Constitution of the Republic of South Africa 1996, Municipal Systems Act 32 of 2000, Municipal Finance Management Act 56 of 2003, Municipal Property Rates Act 6 of 2004, Municipal Structures Act 117 of 1998 and Division of Revenue Act.

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records; responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is dependent on the grant allocations through the Division of Revenue Act (2016) for continued funding of operations. The annual financial statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's external auditors.

Auditor General of South Africa is responsible for independent review and expressing an opinion on fair presentation.5.

The annual financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the on 30 November 2020 and were signed on its behalf by:

Mr. ZC Tshabalala
Accounting Officer

Accounting officer's Report

The Accounting Officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in local government and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2020, the Municipality had an accumulated surplus of R 128 243 063 and that the municipality's total assets exceed its liabilities by R 128 243 063.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the municipality .

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5.

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. ZC Tshabalala	South African

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	85 824	15 190
Operating lease asset	3	101 665	83 616
VAT receivable	4	395 889	282 798
Consumer debtors	5	7 450 366	6 684 688
Cash and cash equivalents	6	9 087 566	8 220 728
		17 121 310	**15 287 020**
Non-Current Assets			
Investment property	7	9 450 000	13 540 000
Property, plant and equipment	8	116 910 233	116 073 612
Intangible assets	9	322 575	520 226
		126 682 808	**130 133 838**
Total Assets		**143 804 118**	**145 420 858**
Liabilities			
Current Liabilities			
Operating lease liability	3	1	41 656
Payables from exchange transactions	10	2 203 064	2 883 929
Unspent conditional grants and receipts	11	6 522 087	5 182 626
Provisions	12	5 796 898	4 865 694
Current Portion of Long Term Loan	13	-	602 228
		14 522 050	**13 576 133**
Non-Current Liabilities			
Employee benefit obligation on long service award	14	1 039 005	931 193
Total Liabilities		**15 561 055**	**14 507 326**
Net Assets		**128 243 063**	**130 913 532**
Accumulated surplus		128 243 063	130 913 532

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		55 414	60 128
Service charges	15	81 178	61 250
Rental of facilities and equipment	17	781 617	703 872
Licences and permits	43	32 726	34 330
Other income	18	27 273	540 396
Interest received - investment and debtors	19	1 186 254	1 011 451
Total revenue from exchange transactions		**2 164 462**	**2 411 427**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	5 970 420	4 941 003
Transfer revenue			
Government grants & subsidies	21	53 765 941	51 144 118
Total revenue from non-exchange transactions		**59 736 361**	**56 085 121**
Total revenue	16	**61 900 823**	**58 496 548**
Expenditure			
Employee related costs	22	31 730 927	28 791 983
Remuneration of councillors	23	2 573 913	2 490 359
Administration	35	1 437 704	1 331 673
Depreciation and amortisation	24	8 723 100	2 247 723
Finance costs	26	103 340	154 595
Debt Impairment	27	849	(1 002 488)
General Expenses	28	14 476 988	14 160 754
Total expenditure		**59 046 821**	**48 174 599**
Operating surplus		**2 854 002**	**10 321 949**
Gain/(loss) on disposal of assets		(93 258)	26 886
Fair value adjustments	29	(4 090 000)	760 000
Actuarial gains/(losses)		(6 536)	-
(Impairment loss)/ Reversal of Impairment	25	(1 682 610)	(7 760)
		(5 872 404)	**779 126**
(Deficit) surplus for the year		**(3 018 402)**	**11 101 075**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**119 812 457**	**119 812 457**
Changes in net assets		
Surplus for the year	11 101 075	11 101 075
Total changes	11 101 075	11 101 075
Restated* Balance at 01 July 2019	**131 261 465**	**131 261 465**
Changes in net assets		
Surplus/ (Deficit) for the year	(3 018 402)	(3 018 402)
Total changes	(3 018 402)	(3 018 402)
Balance at 30 June 2020	**128 243 063**	**128 243 063**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers		5 532 914	5 532 914
Grants and subsidies received - operational		51 144 118	51 144 118
Service charges- Refuse		(144 122)	(144 122)
Interest income		1 186 254	1 011 451
Other receipts		-	876 403
		57 719 164	58 420 764
Payments			
Employee costs		(30 622 565)	(30 622 565)
Suppliers		(11 797 062)	(11 797 062)
Finance costs		(103 340)	(154 595)
		(42 522 967)	(42 574 222)
Undefined difference compared to the cash generated from operations note		**-**	**484 408**
Net cash flows from operating activities	30	**15 196 197**	**16 330 950**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(11 659 723)	(11 659 723)
Proceeds from disposal of property, plant and equipment	8	416 046	416 046
Net cash flows from investing activities		**(11 243 677)**	**(11 243 677)**
Cash flows from financing activities			
Movement in Long Term Loan		(602 228)	(662 825)
Net increase/(decrease) in cash and cash equivalents		**3 350 292**	**4 424 448**
Cash and cash equivalents at the beginning of the year		8 220 728	4 280 688
Cash and cash equivalents at the end of the year	6	**11 571 020**	**8 705 136**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	55 414	**55 414**	
Service charges	-	-	-	81 178	**81 178**	
Rental of facilities and equipment	-	-	-	781 617	**781 617**	
Licences and permits	-	-	-	32 726	**32 726**	
Other income	-	-	-	27 273	**27 273**	
Interest received - investment	-	-	-	1 186 254	**1 186 254**	
Total revenue from exchange transactions	**-**	**-**	**-**	**2 164 462**	**2 164 462**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	-	-	-	5 970 420	**5 970 420**	
Transfer revenue						
Government grants & subsidies	-	-	-	53 765 941	**53 765 941**	
Total revenue from non-exchange transactions	**-**	**-**	**-**	**59 736 361**	**59 736 361**	
Total revenue	**-**	**-**	**-**	**61 900 823**	**61 900 823**	
Expenditure						
Employee Related Costs	-	-	-	(31 730 927)	**(31 730 927)**	
Remuneration of councillors	-	-	-	(2 573 913)	**(2 573 913)**	
Audit fees	-	-	-	(1 437 704)	**(1 437 704)**	
Depreciation and amortisation	-	-	-	(8 723 100)	**(8 723 100)**	
(Impairment loss)/ Reversal of impairments	-	-	-	(1 682 610)	**(1 682 610)**	
Finance costs	-	-	-	(103 340)	**(103 340)**	
Bad debts	-	-	-	(849)	**(849)**	
Debt impairment	-	-	-	-	**-**	
General Expenses	-	-	-	(14 476 988)	**(14 476 988)**	
Total expenditure	**-**	**-**	**-**	**(60 729 431)**	**(60 729 431)**	
Operating surplus	**-**	**-**	**-**	**1 171 392**	**1 171 392**	
Loss on disposal of assets and liabilities	-	-	-	(93 258)	**(93 258)**	
Fair value adjustments	-	-	-	(4 090 000)	**(4 090 000)**	
Actuarial gains/(losses)	-	-	-	(6 536)	**(6 536)**	
	-	**-**	**-**	**(4 189 794)**	**(4 189 794)**	
Surplus before Capital	**-**	**-**	**-**	**(3 018 402)**	**(3 018 402)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(3 018 402)**	**(3 018 402)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	85 824	**85 824**	
Operating lease asset	-	-	-	101 665	**101 665**	
VAT receivable	-	-	-	395 889	**395 889**	
Consumer debtors	-	-	-	7 450 366	**7 450 366**	
Cash and cash equivalents	-	-	-	9 087 566	**9 087 566**	
	-	**-**	**-**	**17 121 310**	**17 121 310**	
Non-Current Assets						
Investment property	-	-	-	9 450 000	**9 450 000**	
Property, plant and equipment	-	-	-	116 910 233	**116 910 233**	
Intangible assets	-	-	-	322 575	**322 575**	
	-	**-**	**-**	**126 682 808**	**126 682 808**	
Total Assets	**-**	**-**	**-**	**143 804 118**	**143 804 118**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	1	**1**	
Payables from exchange transactions	-	-	-	2 203 062	**2 203 062**	
Unspent conditional grants and receipts	-	-	-	6 522 087	**6 522 087**	
Provisions	-	-	-	5 796 898	**5 796 898**	
	-	**-**	**-**	**14 522 048**	**14 522 048**	
Non-Current Liabilities						
Employee benefit obligation on long service award	-	-	-	1 039 005	**1 039 005**	
Total Liabilities	**-**	**-**	**-**	**15 561 053**	**15 561 053**	
Net Assets	**-**	**-**	**-**	**128 243 065**	**128 243 065**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	128 243 063	**128 243 063**	
Undefined Difference	**-**	**-**	**-**	**2**	**2**	
Total Net Assets	**-**	**-**	**-**	**128 243 063**	**128 243 063**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice , issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Trade receivables and receivables

The municipality assesses its trade receivables and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of and tangible assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policies 1.5 and 1.7, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Provision for Rehabilitation of Landfill Site

The municipality has an obligation to rehabilitate its refuse transfer station. Provision is made for this obligation based on the size / extent of the land to be rehabilitated. Current costs are projected based on the fair value calculations by the Engineering Consultants, using the average rate of inflation over the remaining period until rehabilitation.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Accounting Policies

1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction cannot be determined reliably but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.5 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30
Plant and machinery	Straight line	10-15
Furniture and fixtures	Straight line	10
Motor vehicles	Straight line	5-7
Office equipment	Straight line	
• Computer Hardware		4
• Office Machinery		3-5
IT equipment	Straight line	3-5
Infrastructure- Roads	Straight line	10-15
Community	Straight line	
• Sportfields		30
• Community Halls		30
Other property, plant and equipment	Straight line	
• Security Measures		3
• Security Measures		5
Other equipment	Straight line	
• Kitchen Equipment		5-7
Communication equipment	Straight line	
• A/V Equipment		5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equpment. Such obligations are referred to initial estimate of the costs of dismantling and removing the item and restoring the site on which it it is located, the obligation for which a municipality incurrs either when the item is acquired or as a consequences of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3-5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Accounting Policies

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1.8 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase.

Accounting Policies

1.10 Inventories (continued)

When inventories are consumed, the carrying amounts of those inventories are recognised as an expense in the period in which the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

1.11 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

1.12 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

The municipality does not have post employment benefit plans. However, the municipality recognises its employees who have completed 10, 20, 30, 40 years of service in terms of the collective agreement.

Actuarial valuations are conducted on an annual basis by independent actuaries. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus .

A constructive obligation to restructure arises only when a municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

1.17 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.17 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Commitments

The term commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An agency may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which have not been condoned as the end of the year must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management (Act No.56 of 2003), the Municipal Systems (Act No.32 of 2000), and the Public Office Bearers (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financila Statistics classifications and budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.28 Budget information

municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

1.29 Related parties (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Value Added Taxation

The Municipality accounts for Value Added Tax on payment basis. This means that VAT is declared to the South African Receiver of Revenue Services as input VAT or output VAT only when payments are made to suppliers or invoices made out to customers for goods and services. The net output VAT on debtors where money has not been received or creditors where payments has not yet been made is disclosed separately in the Statements of Financial Position in terms of GRAP 1.

1.31 Events after the Reporting Period

Adjusting and non-adjusting events may occur between the reporting date and the date the report is authorised for issue. Where an adjusting event occurs that affects a liability that has been disclosed, for example, the amount or timing of a liability has altered or an uncertainty relating to a provision has been removed, then an adjustment to that item is required. Where a future obligation relating to a contingent liability has been confirmed, i.e. a court case is settled after the reporting date and the contingency has previously been disclosed in a note, then a liability or provision will need to be recognised as follows:

- as a provision if some uncertainty still exists with respect to the amount or timing of the discharge of the obligation; or
- as a liability if no uncertainties exist. Where a non-adjusting event occurs relating to liabilities, for example, the market value of a financial liability changes after the reporting date, no adjustments are made to the financial statements. However, if a non-adjusting event is material, the agency must disclose the following for each material category of non-adjusting event after the reporting date: the nature of the event; and
- an estimate of its financial effect, or a statement that such an estimate cannot be made.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. Inventories

Consumables	85 824	15 190

3. Operating lease asset (accrual)

Current assets	101 665	83 616
Non-current liabilities	-	-
Current liabilities	(1)	(41 656)
	101 664	**41 960**

The municipality has rental agreements/operating lease for office equipment such as photocopiers and scanning machines. The operating lease agreement for office equipment resulted in a lease liability.

Minimum lease payments due		
Due within 1 year	-	208 844

The municipality lets properties within Thusong centre under operating lease. Thusong centre is the main asset (Building investment property) generating rental income through operating lease.

Operating lease - lessor (income)		
Minimum lease payments due		
Within one year	392 250	340 756
Second to fifth year inclusive	596 415	1 468 243
	988 665	**1 808 999**

4. VAT receivable

VAT	395 889	282 798

5. Consumer debtors

Gross balances		
Rates	7 687 994	7 207 254
Electricity	58 756	(6 849)
Refuse	105 663	73 442
Housing rental	726 874	538 913
	8 579 287	**7 812 760**
Less: Allowance for impairment		
Rates	(1 128 921)	(1 128 072)
Net balance		
Rates	6 559 073	6 079 182
Electricity	58 756	(6 849)
Refuse	105 663	73 442
Housing rental	726 874	538 913
	7 450 366	**6 684 688**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors (continued)

Included in above is receivables from exchange transactions		
Electricity	58 756	-
Refuse	105 663	73 835
Housing rental	726 874	538 913
	891 293	**612 748**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7 687 823	7 371 282
Net balance	**8 579 116**	**7 984 030**
Rates		
Current (0 -30 days)	318 866	374 180
31 - 60 days	124 449	477 132
61 - 90 days	103 433	481 232
91 - 120 days	84 017	420 031
121 - 365 days	85 196	437 681
> 365 days	6 969 861	5 181 025
+ 181 days	**(1 126 749)**	**(1 292 099)**
	6 559 073	**6 079 182**
Electricity		
Current (0 -30 days)	5 719	-
31 - 60 days	4 872	-
61 - 90 days	1 010	-
91 - 120 days	902	-
121 - 365 days	891	-
> 365 days	45 362	-
Undefined Difference	**-**	**(6 849)**
	58 756	**(6 849)**
Refuse		
Current (0 -30 days)	4 003	4 024
31 - 60 days	8 139	6 059
61 - 90 days	7 636	6 329
91 - 120 days	7 459	7 013
121 - 365 days	9 884	8 231
> 365 days	68 542	41 786
	105 663	**73 442**
Housing rental		
Current (0 -30 days)	70 783	14 558
31 - 60 days	83 496	16 713
61 - 90 days	87 486	16 800
91 - 120 days	113 885	17 913
121 - 365 days	102 363	18 623
> 365 days	268 861	454 306
	726 874	**538 913**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(1 128 072)	(2 130 560)
Provision for impairment	(849)	1 002 488
	(1 128 921)	**(1 128 072)**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(20)	-
Bank balances	5 522 613	7 326 662
Short-term deposits	3 564 973	894 066
	9 087 566	**8 220 728**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - Main Account - 4076240270	5 522 613	7 326 662	4 108 594	5 522 613	7 326 662	4 280 524
ABSA Bank - Call Account - 258541326-022	972 232	828 707	-	972 232	828 707	-
ABSA Bank - Call Account - 9351925168	35 277	38 141	-	35 277	38 141	-
ABSA Bank - Call Account - 9344157980	-	27 218	-	-	27 218	-
ABSA Bank - Call Account - 9351996490	894 429	-	-	894 429	-	-
Petty Cash	-	-	-	-	-	164
ABSA Bank - Call Account - 9354546961	72 359	-	-	72 359	-	-
NEDBANK - Call Account - 9355133311	1 023 666	-	-	1 023 666	-	-
STD Bank - Call Account - 258541326-021	126 599	-	-	126 599	-	-
NEDBANK - 32 Day Notice - 03/7881012463/00060	440 395	-	-	440 395	-	-
Total	**9 087 570**	**8 220 728**	**4 108 594**	**9 087 570**	**8 220 728**	**4 280 688**

7. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 450 000	-	9 450 000	13 540 000	-	13 540 000

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	13 540 000	(4 090 000)	9 450 000

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	12 780 000	760 000	13 540 000

Pledged as security

Carrying value of assets pledged as security:

	2020	2019
Investment property 1 - Shops ERF 26	1 150 000	2 720 000
Investment property 2 - Thusong Centre and Offices ERF 38	4 000 000	6 700 000
Investment property 3 - Two Dwellings and Outside Building ERF 52	600 000	420 000
Investmnet property 4 - Community Hall and Creche ERF 165	2 500 000	3 050 000
Investment property 5 - Municipal Land - ERF 33	680 000	650 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	11 232 000	-	11 232 000	11 232 000	-	11 232 000
Buildings	4 947 389	(2 533 699)	2 413 690	4 947 389	(2 338 327)	2 609 062
Leasehold property	1 822 292	-	1 822 292	1 759 891	-	1 759 891
Plant and machinery	147 974	(56 117)	91 857	623 575	(468 881)	154 694
Furniture and fixtures	1 137 689	(1 004 685)	133 004	1 138 038	(931 656)	206 382
Motor vehicles	1 297 427	(1 248 837)	48 590	1 297 427	(1 086 095)	211 332
IT equipment	1 519 217	(845 199)	674 018	1 069 370	(589 036)	480 334
Infrastructure	70 306 461	(32 541 375)	37 765 086	67 582 514	(25 927 908)	41 654 606
Community	58 399 653	(10 776 828)	47 622 825	54 830 409	(7 986 952)	46 843 457
Kitchen equipment	47 583	(50 429)	(2 846)	47 583	(36 144)	11 439
Communication equipment	131 967	(128 859)	3 108	131 967	(113 735)	18 232
Office Equipment	388 417	(373 792)	14 625	376 179	(287 548)	88 631
Assets under construction	15 068 669	-	15 068 669	10 746 572	-	10 746 572
Security equipment	382 032	(358 717)	23 315	387 146	(330 166)	56 980
Total	**166 828 770**	**(49 918 537)**	**116 910 233**	**156 170 060**	**(40 096 448)**	**116 073 612**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Difference	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	11 232 000	**-**	-	-	-	-	-	-	11 232 000
Buildings	2 609 062	**-**	-	-	-	-	(164 913)	(30 459)	2 413 690
Landfill site	1 759 891	**293 315**	62 401	-	-	-	(293 315)	-	1 822 292
Plant and machinery	154 694	**-**	65 900	(93 259)	-	-	(35 478)	-	91 857
Furniture and fixtures	206 382	**(200)**	-	-	-	-	(70 550)	(2 628)	133 004
Motor vehicles	211 332	**-**	-	-	-	-	(162 742)	-	48 590
IT equipment	480 334	**(433 402)**	987 927	-	-	-	(342 171)	(18 670)	674 018
Infrastructure	41 654 606	**-**	-	-	2 723 948	-	(4 984 440)	(1 629 028)	37 765 086
Community	46 843 457	**-**	-	-	3 569 159	-	(2 789 791)	-	47 622 825
Kitchen equipment	11 439	**(7 256)**	-	-	-	-	(5 206)	(1 823)	(2 846)
Communications equipment	18 232	**(4 231)**	-	-	-	-	(10 893)	-	3 108
Office equipment	88 631	**(52 142)**	12 238	-	-	-	(34 102)	-	14 625
Assets under construction	10 746 572	**-**	10 615 204	-	-	(6 293 107)	-	-	15 068 669
Security measures	56 980	**(3 905)**	-	-	-	-	(29 760)	-	23 315
	116 073 612	**(207 821)**	**11 743 670**	**(93 259)**	**6 293 107**	**(6 293 107)**	**(8 923 361)**	**(1 682 608)**	**116 910 233**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Difference	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	11 232 000	-	-	-	-	-	-	-	11 232 000
Buildings	2 773 975	-	-	-	-	-	(164 913)	-	2 609 062
Landfill site	-	293 315	1 759 891	-	-	-	(293 315)	-	1 759 891
Plant and machinery	1 269 729	-	-	(1 011 293)	-	-	(103 742)	-	154 694
Furniture and fixtures	373 491	-	-	(176 882)	-	-	10 250	(477)	206 382
Motor vehicles	931 371	-	-	(546 686)	-	-	(173 353)	-	211 332
IT equipment	496 022	-	32 999	(63 262)	-	-	21 790	(7 215)	480 334
Infrastructure	30 095 785	-	-	-	11 858 120	-	(299 299)	-	41 654 606
Community	33 893 068	-	-	-	14 431 655	-	(1 481 266)	-	46 843 457
Kitchen equipment	13 094	-	-	(2 205)	-	-	618	(68)	11 439
Communication equipment	13 529	-	-	-	-	-	4 703	-	18 232
Office equipment	38 630	-	50 000	(11 886)	-	-	11 887	-	88 631
Assets under construction	24 714 553	-	12 321 794	-	-	(26 289 775)	-	-	10 746 572
Security Measures	35 853	-	-	(30 090)	-	-	51 217	-	56 980
	105 881 100	**293 315**	**14 164 684**	**(1 842 304)**	**26 289 775**	**(26 289 775)**	**(2 415 423)**	**(7 760)**	**116 073 612**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	(377 384)	11 123 956	10 746 572
Additions/capital expenditure	4 694 474	5 718 323	10 412 797
Transferred to completed items	(2 723 948)	(3 569 159)	(6 293 107)
	1 593 142	**13 273 120**	**14 866 262**

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	11 480 736	13 233 817	24 714 553
Additions/capital expenditure	-	12 321 794	12 321 794
Transferred to completed items	(11 858 120)	(14 431 655)	(26 289 775)
Totals	**(377 384)**	**11 123 956**	**10 746 572**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 482 134	(1 159 559)	322 575	1 482 134	(961 908)	520 226

9. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	520 226	(197 651)	322 575

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	645 841	(125 615)	520 226

10. Payables from exchange transactions

	2020	2019
Trade payables	17 594	908 452
Payments received in advanced	316 171	391 581
Accrued bonus	831 497	745 752
Commission	25 400	25 400
Deposits received	6 515	6 215
Retentions	880 640	734 813
unknown deposits	125 247	71 716
	2 203 064	**2 883 929**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2020	2019
Sports Field - KwaNxamalala Grant	5 013 745	5 013 745
Impendle land use scheme	1 000 000	-
Library Grant	-	168 881
Disaster Grant (COVID - 19)	508 342	-
	6 522 087	**5 182 626**

Movement during the year

	2020	2019
Balance at the beginning of the year	5 182 626	2 672 744
Additions during the year	19 166 000	21 005 000
Income recognition during the year	(17 826 539)	(18 495 118)
	6 522 087	**5 182 626**

These amounts are invested in a ring-fenced investment until utilised. Revenue is only recognised from these conditional grants once all conditions relating to expenditure are fulfilled.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	2 929 631	157 028	3 086 659
Leave pay provision	1 936 063	774 176	2 710 239
	4 865 694	**931 204**	**5 796 898**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	1 169 740	1 759 891	2 929 631
Leave pay provision	1 607 508	328 555	1 936 063
	2 777 248	**2 088 446**	**4 865 694**

The provision for the above relates to expenses directly attributed to the rehabilitation of landfill site and leave pay-out for staff leave days. The municipality expects to incur these expenses during the next financial year and the amount to be incurred is uncertain.

Environmental rehabilitation provision

In terms of the licencing of the landfill site, the municipality will incur licencing and rehabilitation costs estimated at R3 086 659 to restore the site at the end of its useful life. Provision has been made, taking into account the independent valuer's report for the net present value of this cost, using the average cost of borrowing interest rate. the provision will be funded internally by internally generated revenue.

The municipality is not certain of the amount which might be increed in the rehabilitation of landfill site.

Employee benefit cost provision

The above provision for leave pay relates to the number of days accumulated by the employees during the reporting period. The leave pay provision is calculated on all outstanding leave balances as at 30 June 2020. This is the amount that the employees would be entitle to receive should the employee resign or cease employment with the municipality on 30 June 2020.

The municipality is not certain when will the leave days be paid out to employees as this dependes on when will employees resign or cease employment with the municipality.

Figures in Rand	2020	2019

13. Long term liabilities

Current liabilities		
Current port of long term loan	-	602 228

14. Employee benefit obligation on long service award

.

Movement in the present value of the defined benefit obligation	2020	2019
Opening balance	931 193	727 565
Current service cost	98 246	80 399
Interest cost	76 651	62 720
Actuarial (gain)/losses	6 536	126 501
Benefit paid by the plan	(73 621)	(65 992)
	1 039 005	**931 193**

The actuarial valuation of the long service awards report has been performed by One Pangaea Financial. The Projected Unit Credit Method has been used to value the long service award and the effective date of this valuation is 30 June 2020.

Key assumptions used

Assumptions used at the reporting date:The expected inflation assumption of 4.64% was obtained from the differential between market yields on index-linked bonds (3.21%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.50%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.50%-0.50%)/1+3.21%))-1. Thus, a general salary inflation rate of 5.64.% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.71.%. It has been assumed that the next salary increase will take place on 1 July 2020.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the Long Service Awards are based on an employee's salary at the date of the award.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index than in absolute terms. Experience has shown that over the long term, salary inflation will exceed general inflation by 1.0%.

Key Financial Assumptions

	8,5	8.50
	4,64	4.64

The salaries used in the valuation include an assumed increase on 01 July 2020 of 5.64% as per the SALGBC Circular No: 02/2018. The next salary increase was assumed to take place on 01 July 2020.

Key Demographic Assumptions

Figures in Rand	2020	2019

Withdrawal from Service (sample annual rate)

Age	Female	Male
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60		

It has been assumed that male employees will retire at 62 and female at age 50.

The mortality rate during employment in South Africa is 85 years to 90 years

15. Service charges

	2020	2019
Service charges	81 178	61 250

16. Revenue

	2020	2019
Sale of goods	55 414	60 128
Service charges	81 178	61 250
Rental of facilities and equipment	781 617	703 872
Licences and permits	32 726	34 330
Other income	27 273	540 396
Interest received - investment	1 186 254	1 011 451
Property rates	5 970 420	4 941 003
Government grants and subsidies	53 765 941	51 144 118
	61 900 823	**58 496 548**

	2020	2019
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	55 414	60 128
Service charges	81 178	61 250
Rental of facilities and equipment	781 617	703 872
Licences and permits	32 726	34 330
Other income	27 273	540 396
Interest received	1 186 254	1 011 451
	2 164 462	**2 411 427**

	2020	2019
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5 970 420	4 941 003
Transfer revenue		
Government grants & subsidies	53 765 941	51 144 118
	59 736 361	**56 085 121**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Rental of facilities and equipment

Facilities and equipment		
Hall Hire	15 947	10 479
Rental Income - Thusong Center and Equipment	765 670	693 393
	781 617	**703 872**

18. Other income

Sundry Receipts	-	1 076
Tender Fees	8 957	59 508
Rates Certificates	18 316	5 609
Local Government SETA Refund	-	71 761
Income from Insurance	-	13 282
Proceeds on disposal of assets	-	389 160
	27 273	**540 396**

19. Interest received - investment and debtors

Interest revenue		
Interest on Investments	1 037 341	852 616
Interest charged on trade and other receivables	148 913	158 835
	1 186 254	**1 011 451**

20. Property rates

Rates

Residential	407 764	383 622
Commercial property	262 959	5 856
Government	5 264 559	2 604 440
Small holdings and farms	27 111	1 933 984
Multi-purpose	8 027	13 101
	5 970 420	**4 941 003**

Figures in Rand	2020	2019

21. Government grants and subsidies

Operating grants

Equitable share	35 693 000	32 649 000
Finance Management Grant	2 365 000	1 900 000
Cyber Cadet Grant (Art & Culture)	211 000	197 000
LG SETA Grant	246 401	-
Disaster Grant	345 659	-
Expanded Public Works Programme Grant	1 257 000	1 160 000
Library Grant	1 928 881	1 507 119
	42 046 941	**37 413 119**

Capital grants

Municipal Infrastructufre Grant	11 719 000	11 572 000
Sport Field Grant	-	2 158 999
	11 719 000	**13 730 999**
	53 765 941	**51 144 118**

Equitable Share

In terms of the Constitution of the Republic of South Africa, the Equitable Share Grant is used to subsidise the provision of basic services to indigent community members and facilitation of service delivery.

All registered indigents receive a monthly free basic electricity which was allocated as a percentage of the Equitable Share.

Sport Field Grant

Balance unspent at beginning of year	5 013 745	2 672 744
Current-year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(2 158 999)
	5 013 745	**5 013 745**

Conditions still to be met - remain liabilities (see note 11).

As at 30 June 2020 the implementation was not complete.

The grant is used for construction of Nxamalala Sports field, there was no movement in the current year. And the grant was transferred by the Department of Sports and Recreation

Library Grant

Balance unspent at beginning of year	168 881	-
Current-year receipts	1 760 000	1 676 000
Conditions met - transferred to revenue	(1 928 881)	(1 507 119)
	-	**168 881**

All conditions were met.

This grant is to be used to transform urban and rural community library infrastructure facilities and services through a recapitalised programme of provincial level in support of local government and national initiatives. The grant was transferred by Provincial Library Department. The focus for this grant to assist the municipality to finance the salary of library staff.

Figures in Rand	2020	2019

21. Government grants and subsidies (continued)

Cyber Cadet Grant

Current-year receipts	211 000	197 000
Conditions met - transferred to revenue	(211 000)	(197 000)
	-	-

The grant is used to pay Cyber Cadet's salary and the grant was transferred by Provincial Library Services Department.

All condition were met

Disaster Grant

Current-year receipts	854 000	-
Conditions met - transferred to revenue	(345 658)	-
	508 342	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to acquire PPE (sanitiser, pull up, banners ect.),the grant was transferred by National Treasury.

Municipal Infrastructure Grant

Current-year receipts	11 719 000	11 572 000
Conditions met - transferred to revenue	(11 719 000)	(11 572 000)
	-	-

The grant was used for infrastructure development only, it was transferred by National Treasury.

The grant intended focus is to provide specific capital finance for basic municipal infractruture backlogs for the poor households to micro-enterprises and social institutions servicing poor communities.

All conditions were met.

Expanded Public Works Programme Grant

Current-year receipts	1 257 000	1 160 000
Conditions met - transferred to revenue	(1 257 000)	(1 160 000)
	-	-

All conditions were met.

The EPWP Grant creats work opportunities in four sectors. The grant was transferred by Department of Public Works

Finance Management Grant

Current-year receipts	2 365 000	1 900 000
Conditions met - transferred to revenue	(2 365 000)	(1 900 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Government grants and subsidies (continued)

The grant is to be used to finance the cost for the establishment of budget and treasury office, establishment of supply chain management , internal and audit committee, appointment and training of finance interns, preparing and timely submission of annual financial statements, implement coreective actions to address audit findings and the implementation of a financial recovery plan and implementation thereof where appropriate.

The focus of this grant is to promote and support reforms of financial management by building capacity in municipalities to implement the Municipal Finance Management Act No. 56 of 2003, The grant was transferred by National Treasury

All conditions were met.

LG SETA Grant

	2020	2019
Current-year receipts	246 401	-
Conditions met - transferred to revenue	(246 401)	-
	-	**-**

This grant is used to pay for municipal staff trainings, it is funded by LG SETA

All conditions were met

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

22. Employee related costs

Basic	23 805 290	20 569 705
Bonus	1 647 189	2 307 164
Medical aid - company contributions	965 138	821 134
UIF	185 342	194 586
SDL	291 848	238 609
Bargaining Council Levies	406 737	251 221
Leave pay provision charge	92 890	486 745
Defined contribution plans	2 789 880	2 528 132
Travel, motor car, accommodation, subsistence and other allowances	407 632	478 051
Overtime payments	64 434	51 227
Acting allowances	19 124	90 864
Car allowance	482 950	365 601
Housing benefits and allowances	147 181	135 693
Service costs	98 246	-
Cellphone Allowance	278 950	244 703
Standby Allowances	22 896	21 498
Non-Pensionable Allowance	25 200	7 050
	31 730 927	**28 791 983**

Remunaration of Municipal Manager

Basic Salary	852 858	111 058
Travel Allowance	110 000	37 624
Remote Allowance	39 974	6 020
Backpay Allowance	24 757	-
Acting Allowance	36	-
Leave Payout	-	91 064
	1 027 625	**245 766**

Remuneration of Chief Financial Officer

Basic Salary	654 803	393 238
Travel Allowance	110 000	57 681
Medical Aid	51 119	31 725
Remote Allowance	34 998	15 025
Backpay Allowance	24 698	16 515
Leave payout	-	59 734
	875 618	**573 918**

Remuneration of Corporate Service Manager

Basic Salary	657 304	643 772
Travel Allowance	120 000	121 643
Remote Allowance	32 603	31 258
Backpay	27 712	16 515
	837 619	**813 188**

Remuneration of Technical Manager

Basic Salary	54 313	635 247
Travel Allowance	10 000	120 000
Remote Allowance	2 605	31 258
Backpay	14 619	16 515
Acting Allowance	-	146 191

Figures in Rand	2020	2019

22. Employee related costs (continued)

Refund	-	2 908
	81 537	**952 119**

23. Remuneration of councillors

Mayor	825 477	796 883
MPAC Chairperson	291 284	282 246
Councillors (All councillors except MPAC Chairperson are in the same bracket)	1 457 151	1 411 230
	2 573 912	**2 490 359**

There were no councillors who had arrear accounts outstanding for more than 90 days during the reporting period.

In-kind benefits

The remuneration of the Political Office Bearers and Councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

The Mayor is full-time. He is provided with an office, cellphone, 3G modem and a laptop at the cost of the Council.

The Mayor utilises Council owned vehicle for official duties.

The Mayor has two full-time mayoral aids sourced within municipal security section.

24. Depreciation and amortisation

Property, plant and equipment	8 525 449	2 122 108
Intangible assets	197 651	125 615
	8 723 100	**2 247 723**

25. Impairment of assets

Impairments		
Property, plant and equipment Infrastructure, Building, Furniture and fixtures, IT Equipment assets were assessed for impairment during the reporting period. Certain assets were subsequently impaired by R in 2020 R1 682 609:(2019:R7 760).	1 682 610	7 760

26. Finance costs

Non-current borrowings	103 340	154 595

27. Provisions

Provision for Debt Impairement	849	(1 002 488)

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. General expenses

Advertising	182 689	109 858
Bank charges	117 137	135 228
Cleaning Material	100 266	117 418
Contracted services	163 254	-
Consulting and professional fees	7 317 823	6 783 470
Insurance	222 517	182 366
Legal Fees	16 460	90 114
Motor vehicle licence fees	19 534	9 080
Fuel and oil	436 514	611 168
Printing and stationery	102 974	73 870
Achievements and Awards	72 838	16 500
Protective clothing	249 200	626
Employee Assistant Program	9 000	4 967
Subscriptions and membership fees	537 202	520 239
Telephone and fax	325 082	630 333
Subsistence & Travelling	16 937	168 824
Bursaries	78 214	167 729
Donations	18 000	101 944
Travel and accomodation	183 762	117 894
Sports and recreation	99 588	196 873
Indigent relief	3 412 710	3 076 802
Art tourism culture	30 000	92 113
Elderly support	-	37 842
Other expenses	765 287	915 496
	14 476 988	**14 160 754**

29. Fair value adjustments

Investment property (Fair value model)	(4 090 000)	760 000

30. Cash generated from operations

(Deficit) surplus	(3 018 402)	11 101 075
Adjustments for:		
Depreciation and amortisation	8 723 100	2 247 723
Gain on disposal of assets	93 258	(26 886)
Fair value adjustments	4 090 000	(760 000)
Impairment deficit	1 682 610	7 760
Bad Debts	849	(1 002 488)
Movements in operating lease assets and accruals	(59 704)	(189 023)
Movements in provisions	931 204	2 088 446
Changes in working capital:		
Inventories	(9 033)	(9 033)
Consumer debtors	(35 635)	(35 635)
Other receivables from non-exchange transactions	-	99 526
Payables from exchange transactions	(680 872)	(457 255)
VAT	(113 091)	817 455
Unspent conditional grants and receipts	1 339 461	2 509 882
Current Portion of Long Term Loan	(60 597)	(60 597)
	12 883 148	**16 330 950**

Figures in Rand	2020	2019

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 579 866	2 040 504
Total capital commitments		
Already contracted for but not provided for	1 579 866	2 040 504

Total commitments

Total commitments		
Authorised capital expenditure	1 579 866	2 040 504

This committed expenditure relates to infrastructure projects and will be financed by available Municipal Infrastructure Grant Allocation gazetted in the 2019/20 DORA Allocation.

Capital commitment figure includes VAT and excludes professional fees for consulting engineers.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	208 845

Operating lease payments represent rentals payable by the entity for certain of its office photocopying machines. Leases are negotiated for an average term of five years and rentals have straightlined for the lease term duration. No contingent rent is payable.

Operating leases - as lessor (income)

Certain of the entity's facilities is held to generate rental income. Rental of these facilities is expected to generate rental on an ongoing basis. Lease agreements are cancelable with three months written notice by either party and have terms from 1 to 5 years. There are no contingent rents receivable.

32. Related parties

Relationships	
Senior managers	Refer to employee related costs note
Councillors	Refer to Remuneration of councillors note

There were no related party transactions that were not at arms length during the financial period.

33. Prior period errors

Certain comparative figures have been restated due to errors identified in the current year.

The correction of the error(s) results in adjustments as follows:

During the current year we identified that Annual Financial Statements did not take into account the final Fixed Asset Register.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Prior period errors (continued)

Property Plant and Equipment		
Audited balance	-	114 553 802
Adjustment on final FAR not recorded	-	(240 081)
	-	**114 313 721**

During the current year we identified that Annual Financial Statements did not take into account the final Fixed Asset Register.

Intangible assets		
Audited balance	-	240 893
Adjustment on final FAR not recorded	-	279 333
	-	**520 226**

During the current year we identified that Annual Financial Statements did not take into account the final Fixed Asset Register.

Depreciation and amortisation		
Audited balance	-	2 616 015
Amortisation not recognised	-	125 615
Adjustment on final FAR not recorded	-	(493 907)
	-	**2 247 723**

During the current year we identified that Annual Financial Statements did not take into account the final Fixed Asset Register.

Impairment loss		
Audited balance	-	8 647
Casting error on FAR	-	(887)
	-	**7 760**

Related party note was not disclosed as per the requirements of GRAP 20 as it included transactions that are already included under employee related cost note.

Related party		
Audited balance	-	3 149 934
Compensation to director and other key management	-	(659 575)
Councillors remuneration	-	(2 490 359)
	-	**-**

Consumer debtors disclosure		
Audited balance	-	(36 152)
Duplicate it was already included under receivables from non- exchange as per last year AFS	-	36 152
	-	**-**

Other revenue		
Audited balance	-	540 396
Duplicate it was already included under Other income as per last year AFS	-	(540 396)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Prior period errors (continued)

Operating surplus

Audited balance	-	33 933 890
Gain on sale of property, plant and equipment	-	(26 886)
Impairment on property, plant and equipment	-	(8 647)
Depreciation on property, plant and equipment	-	(2 616 015)
Employee costs	-	(31 282 342)
	-	-

Receivables from non-exchange transactions

Audited balance	-	374 336

Cash flows from investing activities

Audited balance	-	(11 243 677)

Payables from exchange transactions

Audited balance	-	2 812 214

Cash flows from operating activities

Audited balance	-	15 846 542

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500 000	500 000

Audit fees

Amount paid - current year	1 437 704	1 331 673

PAYE and UIF

Current year subscription / fee	4 410 129	4 025 472

Pension and Medical Aid Deductions

Amount paid - current year	3 755 117	5 124 338

VAT

VAT receivable	395 889	282 798

VAT output payables and VAT input receivables are shown in note 4.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

As of 30 June 2020, no Councillors had arrear accounts outstanding for more than 90 days:

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Audit fees

Audit fees	1 437 704	1 331 673

36. Fruitless and wasteful expenditure

Opening balance as previously reported	14 062 948	14 061 642
Opening balance as restated	**14 062 948**	**14 061 642**
Add: Expenditure identified - current	1 150	1 306
Closing balance	**14 064 098**	**14 062 948**

The openning balance of fruitless and wasteful expenditure relates to interest charged by Eskom for late payment of invoices and the fruitless and wasteful expenditure incurred on the construction of Mafahleni Road

Current year fruitless and wasteful expenditure relates to interest on overdue accounts of Eskom, Telkom and penalty on vehicle licencing.

37. Irregular expenditure

Opening balance as previously reported	22 069 518	17 841 336
Add: Irregular Expenditure - current year	155 221	4 228 182
Opening balance as restated	**22 224 739**	**22 069 518**
Closing balance	**22 224 739**	**22 069 518**

The current year irregular expenditure of R155 221 relates to non- complaince with SCM procedures.

Cases under investigation

Cases currently under investigation includes investigation for cumulative figure of UIFW from 2012 and fruitless and wasteful expenditure which relates to fruitless and wasteful expenditure of R18 000 000 identified on the Mafahleni Road construction.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

38. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. All expenses incurred have been condoned by Council.

All deviations have been approved by Council and have been reported in terms of section 114 of the Municipal Finance Management Act, 56 of 2003.

Summary of deviations:	MFMA Regulations	2020	2019
Transport services	36(1)(a)(ii)	76 778	64 270
Advertisement services	36(1)(a)(v)	150 150	27 766
Repairs of plant	36(1)(a)(ii)	62 063	66 825
Other	36(1)(a)(ii)	49 766	40 831
		338 757	**199 692**

Notes to the Annual Financial Statements

39. Budget differences

The excess of actual expenditure over the final budget of 15% over or under approved budget is explained under this note.

Material differences between budget and actual amounts

Interest received on investments - Interest accrued on investments which relates to conditional grants is higher than budgeted for due to high rate of return on investments.

Fines, penalties and forfeits - budgeted for but not received during the financial year due to them not being received by the Magistrates Court as the municipality does not have a Traffic Unit.

Administration- A portion of administration expenditure budgeted for included as general expenses.

Audit fees - these were incurred in proportion to the contracted work undertaken by the Office of the Auditor General.

Finance Costs- interest on long service awards was not budgeted for during the reporting period.

Bad debt - these are curret year bad debts written -off and were not budgeted for. These costs would form part of debt impairment calculation.

Debt Impairment - The favourable variance is due to over provision in the previous years and payment of long outstanding debt by other state department..

General expenses - the municipality applied stringent monitoring measure on general expenses to cut down costs.

Fair value adjustments - this relates to appraisal of investment properties owned by the municipality, this item is a non-cash item and as such it was not budgeted for during the reporting period.

Operating lease asset - this relates to lease rental expenditure for photocopier and printers.

Inventory - Inventory reflect an adverse variance due to no budget provision made in the current financial year.

Receivables from exchanged transactions - budget included estimated revenue due to the municipality for rental for new contracts entered into during the reporting period.

VAT receivable - relates to VAT refund due from South Africa Revenue Services for June 2019. Budget estimate higher than actual as it was perceived that MIG and operations claim would be high.

Consumer debtors - These relates to property rates and refuse, and the decrease is due to payment of accounts by consumers, especially the state and agriculture sectors.

Cash and cash equivalents - budget projections relates to 100% expenditure incurred for the year relating to conditional grants. Actual comprises of unspent sportsfield grant of more than R5m.

Investment property- actual amount relates to valuation estimates provided by the municipal valuer relating to investment property.

Intangible assets- relates to actual increase in computer software applications and licenses.for the financial year.

Operating lease liability - this item was budgeted for under the operating lease expenses.

Payables from exchanged transactions - budget projections included anticipated unspent grant expenditure from previous financial year.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

39. Budget differences (continued)

Unspent conditional grants - relates to sportfield grant not exhausted during the financial year and has been budgeted for.

Provisions - increase in provisions relating to staff leave and landfill site rehabilitation and was under budgeted for.

Employee benefit obligations - relates to GRAP 25 long service award and was under budgeted for.

Long term loan - actual portion not relfected as the loan in its penultimate year of repayment.

40. Events after the reporting date

There were no events after the reporting period.

41. Change in estimate

The municipality has re-assessed the remaining useful lives of certain Property Plant and Equipment assets in the current year. The effect of change in the accounting estimates has resulted in decrease in the depreciation charge for the current year and future periods by R37 209.35. The change in estimate has been corrected prospectively.

The following information is available regarding the depreciation Property Plant and Equipment assets.

Property Plant and Equipment depreciation		
Depreciation as per original useful lives	(8 760 309)	(6 960 115)
Effect of change in useful lives	8 723 100	5 064 735
	(37 209)	**(1 895 380)**

42. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Consumer debtors	8 454 039	8 454 039

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2 077 815	2 077 815

2019

Financial assets

	At amortised cost	Total

Figures in Rand	2020	2019

. Financial instruments disclosure (continued)

Consumer debtors	8 854 302	8 854 302

Financial liabilities

	At amortised cost	Total
Long term loan	602 228	602 228
Payables from exchange transactions	2 812 218	2 812 218
	3 414 446	**3 414 446**

Financial instruments in Statement of financial performance

2020

	At amortised cost	Total
Finance costs	26 689	26 689

2019

	At amortised cost	Total
Finance costs	(154 595)	(154 595)

43. Licences and permits (exchange)

Angling/Fishing	32 726	34 330

44. New standards and interpretations

44.1 Standards and interpretations effective and adopted in the current year

In the current year, the Municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019
• GRAP 20: Related parties	01 April 2019
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019
• GRAP 105: Transfers of functions between entities under common control	01 April 2019
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019
• GRAP 107: Mergers	01 April 2019
• GRAP 108: Statutory Receivables	01 April 2019

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

• GRAP 109: Accounting by Principals and Agents	01 April 2019
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019
• IGRAP 19: Liabilities to Pay Levies	01 April 2019

44.2 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The Municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The Municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The Municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A Municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A Municipality applies judgement based on past experience and current facts and circumstances.

Notes to the Annual Financial Statements

44. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2020.

The Municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the Municipality's annual financial statements.

45. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and Trade and other receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Cash and cash equivalent	9 087 566	8 220 728
Trade and other receivables	5 262 580	7 726 230

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity’s income and operating cash flows are substantially independent of changes in market interest rates.